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November 20, 2006

Honorable Michael R. Peevey, President
Honorable John Bohn, Commissioner
Honorable Geoffrey F. Brown, Commissioner
Honorable Rachelle B. Chong, Commissioner
Honorable Dian Grueneich, Commissioner

Re: Proposed Decision and Alternate Proposed Decision, A.04-12-004 Phase II

Dear President Peevey and Commissioners:

The following electric generators strongly urge you to reject the “firm access rights” (“FAR”) proposal that would be approved by the October 31, 2006 Proposed Decision (“PD”) and Alternate Proposed Decision (“APD”) in A.04-12-004:

AES Corporation
Burbank Water and Power
City of Anaheim
City of Glendale
City of Los Angeles Department of Water and Power
City of Pasadena
Imperial Irrigation District
LS Power Generation, LLC
Reliant Energy, Inc.
Southern California Public Power Authority
Williams Power Company, Inc.

These generators represent approximately 15,000 megawatts of installed gas-fired generation capacity in the Southern California Gas Company (“SoCalGas”) and San Diego Gas and Electric Company (“SDG&E”) service territories.

Currently, there is no charge for access to the SoCalGas/SDG&E system. Customers have a high degree of flexibility. They can buy gas at any receipt point they choose. This flexibility allows customers to maximize the benefits of gas-on-gas competition. SoCalGas/SDG&E delivery service is highly certain and is likely to remain so, particularly given that demand is projected to decline in southern California.

The PD and APD would jettison the current well-functioning and highly flexible market structure. They would require parties to buy access rights as a precondition for bringing gas into the SoCalGas/SDG&E system. Every decatherm would be subject to a 5¢ access charge. The new charges could generate up to \$100 million per year.

There is no need for the proposed FAR structure. Instead of solving problems, the FAR program would create problems. Customers would lose their current flexibility in buying gas, which would have the potential to increase gas acquisition costs. The current highly reliable service on the SoCalGas/SDG&E system would be compromised by the need to acquire access rights as a precondition for moving gas into the system. And there would be a potential for parties to hoard firm access rights. Hoarding cannot occur today. There are no firm rights to hoard.

This is the *wrong* time to adopt a program that would make gas-fired generation more costly and less reliable. California is committed to a policy of reducing greenhouse gas ("GHG") emissions. That policy will result in a need for gas-fired generation both as a substitute for coal-fired generation and as a way to firm the energy supplied from intermittent renewable resources like wind. It would be flatly contrary to California's policy of reducing GHG emissions to adopt a program that would increase gas costs and reduce reliability.

The Federal Energy Regulatory Commission and federal courts have reviewed previous access charges that were similar in all relevant regards to those being considered in the PD and APD. The charges were found to be unlawful, and refunds were ordered. It would be disruptive to require customers and their suppliers to struggle through the year-long FAR implementation process that is proposed in the PD and APD only to have the program unwound after being found to be unlawful.

Given that the proposed FAR program is unnecessary, would cause problems, and would conflict with important State policies, the undersigned southern California electric generators respectfully urge you to reject the proposal.

Respectfully submitted,

AES CORPORATION

By: /s/ Mark Woodruff
Mark Woodruff

BURBANK WATER AND POWER

By: /s/ Bruno Jeider
Bruno Jeider

CITY OF ANAHEIM

By: /s/ Steven Sciortino
Steven Sciortino

CITY OF GLENDALE

By: /s/ Steven G. Lins
Steven G. Lins

**CITY OF LOS ANGELES DEPARTMENT
OF WATER AND POWER**

By: /s/ Randy S. Howard
Randy S. Howard

CITY OF PASADENA

By: /s/ Steven K. Endo
Steven K. Endo

IMPERIAL IRRIGATION DISTRICT

By: /s/ Jeffrey M. Garber
Jeffrey M. Garber

LS POWER GENERATION, LLC

By: /s/ Audra Hartmann
Audra Hartmann

RELIANT ENERGY, INC.

By: /s/ Gary Hinners
Gary Hinners

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: /s/ Richard M. Helgeson
Richard M. Helgeson

WILLIAMS POWER COMPANY, INC.

By: /s/ Roger T. Pelote
Roger T. Pelote

cc: Honorable John S. Wong, Presiding Administrative Law Judge